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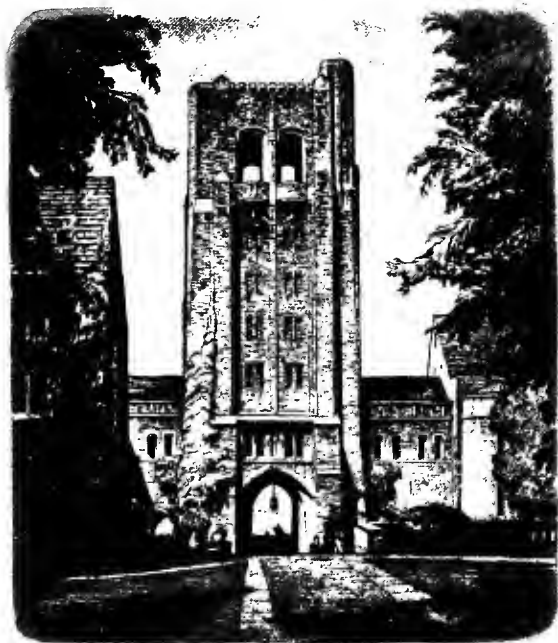
UNITED STATES INCOME TAX LAW. 1913.

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THE UNITED STATES INCOME TAX LAW

(APPROVED OCTOBER 3, 1913)

INTRODUCTORY NOTE, PARAGRAPH HEADINGS, MARGINAL NOTES AND INDEX

PREPARED BY

BARRY MOHUN

COUNSELLOR AT LAW

UNION TRUST BLDG.

WASHINGTON, D. C.

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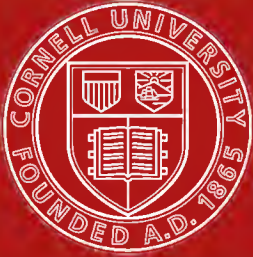
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INTRODUCTORY NOTE

Pursuant to the provisions of the Sixteenth Amendment of the Federal Constitution the Income Tax Law was enacted by the Congress. The law, which constitutes the second part of the recent tariff law, entitled "An Act to Reduce Tariff Duties and to Provide Revenue for the Government and for Other Purposes" (Public No. 16), was approved by the President on October 3, 1913, and took effect on the following day. Under its terms the net incomes of individuals and of corporations, joint-stock companies, associations and insurance companies are subject to the tax, but upon the latter class there is not imposed the "additional tax" as is the case with individuals.

Undoubtedly there will be raised many interesting and important questions concerning the law and its interpretation by the Treasury Department. It would be beyond the purposes of this publication to enter into a discussion even of such questions as may have already suggested themselves; it would seem suffice to state now that all payments of income taxes should be accompanied by a formal protest.

So many requests have come to me from attorneys and clients for information concerning the requirements of the law that I concluded to issue this edition, with paragraph headings, marginal notes and a fairly copious index in the hope of being able to assist to a better understanding of the duties and liabilities under the law of individuals and corporations receiving taxable incomes.

BARRY MOHUN.

THE UNITED STATES INCOME TAX LAW.

APPROVED OCTOBER 3, 1913.

THE CONSTITUTIONAL AMENDMENT.

The Sixteenth Amendment of the Constitution, which by proclamation of the Secretary of State of February 25, 1913, was declared to have been ratified by the proper number of States, is as follows:

"The Congress shall have power to lay and collect taxes on incomes, from whatever source derived without apportionment among the several States, and without regard to any census or enumeration."

THE INCOME TAX LAW.

The Income Tax Law contained in "An Act to Reduce Tariff Duties and to provide revenue for the Government and for other purposes" Approved by the President October 3, 1913, is as follows:

Section II. [Public No. 16.]

THE NORMAL INCOME TAX AND THOSE SUBJECT THEREUNTO.

A. Subdivision 1. That there shall be levied, assessed, collected and paid annually upon the entire net income arising or accruing from all sources in the preceding calendar year to every citizen of the United States, whether residing at home or abroad, and to every person residing in the United States, though not a citizen thereof, a tax of 1 per centum per annum upon such income, except as hereinafter provided; and a like tax shall be assessed, levied, collected, and paid annually upon the entire net income from all property owned and of every business, trade, or profession carried on in the United States by persons residing elsewhere.

Tax of 1% on net income of all persons residing in U. S. and of citizens thereof residing abroad, and like tax upon income from all property, businesses or professions carried on in U. S. by persons residing elsewhere.

THE ADDITIONAL INCOME TAX AND RATES THEREOF. PROVISIONS RELATING TO NORMAL TAX APPLICABLE. RETURNS MUST SHOW INCOME FROM ALL SOURCES. CORPORATIONS, JOINT STOCK COMPANIES OR ASSOCIATIONS FORMED FOR FRAUDULENT PURPOSES. HOLDING COMPANIES. ACCUMULATION OF PROFITS AND SURPLUS. CERTIFICATION BY SECRETARY OF THE TREASURY. STATEMENTS OF PROFITS TO BE FURNISHED COMMISSIONER OF INTERNAL REVENUE ON REQUEST.

Subdivision 2. In addition to the income tax provided under this section (herein referred to as the normal income tax) there shall be levied, assessed, and collected upon the net income of every individual an additional income tax, herein referred to as the additional tax) of 1 per centum per annum upon the amount by which the total net income exceeds \$20,000 and does not exceed \$50,000, and 2 per centum per annum upon the amount by which the total net income exceeds \$50,000 and does not exceed \$75,000, 3 per centum per annum upon the amount by which the total net income exceeds \$75,000 and does not exceed \$100,000, 4 per centum per annum upon the amount by which the total net income exceeds \$100,000 and does not exceed \$250,000, 5 per centum per annum upon the amount by which the total net income exceeds \$250,000 and does not exceed \$500,000, and 6 per centum per annum upon the amount by which the total net income exceeds \$500,000. All the provisions of this section relating to individuals who are to be chargeable with the normal income tax, so far as they are applicable and are not inconsistent with this subdivision of paragraph A, shall apply to the levy, assessment, and collection of the additional tax imposed under this section. Every person subject to this additional tax shall, for the purpose of its assessment and collection, make a personal return of his total net income from all sources, corporate or otherwise, for the preceding calendar year, under rules and regulations to be prescribed by the Commissioner of Internal Revenue and approved by the Secretary of the Treasury. For the purpose of this additional tax the taxable income of any individual shall embrace the share to which he would be entitled of the gains and profits, if divided or distributed, whether divided or distributed or not, of all corporations, joint-stock companies, or associations however created or organized, formed or fraudulently availed of for the purpose of preventing the imposition of such tax through the medium of permitting such gains and profits to accumulate instead of being divided or distributed; and the fact

Additional income tax of 1% upon incomes between \$20,000 and \$50,000. 2% upon incomes between \$50,000 and \$75,000. 3% upon incomes between \$75,000 and \$100,000. 4% upon incomes between \$100,000 and \$250,000. 5% upon incomes between \$250,000 and \$500,000. 6% upon incomes in excess of \$500,000.

Provisions relating to normal tax applicable to additional tax.

Personal returns required of total net income from all sources, corporate and otherwise.

Includes gains and profits of corporations, joint-stock companies or associations whether distributed or not, or formed or fraudulently availed of for the purpose of evading the tax.

that any such corporation, joint-stock company, or association, is a mere holding company, or that the gains and profits are permitted to accumulate beyond the reasonable needs of the business shall be prima facie evidence of a fraudulent purpose to escape such tax; but the fact that the gains and profits are in any case permitted to accumulate and become surplus shall not be construed as evidence of a purpose to escape the said tax in such case unless the Secretary of the Treasury shall certify that in his opinion such accumulation is unreasonable for the purposes of the business. When requested by the Commissioner of Internal Revenue, or any district collector of internal revenue, such corporation, joint-stock company, or association shall forward to him a correct statement of such profits and the names of the individuals who would be entitled to the same if distributed.

If a mere holding company or if gains and profits allowed to accumulate beyond needs of business, deemed *prima facie* evidence of fraudulent purpose.

Certification by Secretary of Treasury that accumulations toward surplus unreasonable.

When requested by Commissioner of Internal Revenue, must furnish statement showing such profits and names of those who would be entitled thereto if distributed.

WHAT NET INCOME SHALL INCLUDE. PROPERTY INHERITED NOT INCLUDED. PROCEEDS OF LIFE INSURANCE POLICIES RECEIVED PRIOR OR SUBSEQUENT TO DEATH OF INSURED NOT INCLUDED. DEDUCTIONS ALLOWED IN COMPUTING NET INCOME FOR NORMAL TAX. NET INCOME FROM PROPERTY OR BUSINESS CONDUCTED IN UNITED STATES BY PERSONS RESIDING ELSEWHERE MUST BE INCLUDED. INTEREST UPON OBLIGATIONS OF ANY STATE, THE UNITED STATES OR ITS POSSESSIONS AND THE PRESENT PRESIDENT'S SALARY AND THOSE OF FEDERAL JUDGES NOW IN OFFICE, EXCLUDED.

B. That, subject only to such exemptions and deductions as are hereinafter allowed, the net income of a taxable person shall include gains, profits and incomes derived from salaries, wages, or compensation for personal service of whatever kind and in whatever form paid, or from professions, vocations, business, trade, commerce, or sales, or dealings in property, whether real or personal, growing out of the ownership or use of or interest in real or personal property, also from interest, rent, dividends, securities, or the transaction of any lawful business carried on for gain or profit, or gains or profits and income derived from any source whatever, including the income from but not the value of property acquired by gift, bequest, devise, or descent: *Provided*, That the proceeds of life insurance policies paid upon the death of the person insured or payments made by or credited to the insured, on life insurance, endowment, or annuity contracts, upon the return thereof to the

Net income shall include gains, profits and income from salaries, wages, compensation for personal services, from professions, business of all kinds, including sales and dealings in real and personal property. Also interest, rent, dividends, etc.

Inheritances excluded.

Proceeds of life insurance policies excluded.

insured at the maturity of the term mentioned in the contract, or upon surrender of contract, shall not be included as income.

That in computing net income for the purpose of the normal tax there shall be allowed as deductions: First, the necessary expenses actually paid in carrying on any business, not including personal, living, or family expenses; second, all interest paid within the year by a taxable person on indebtedness; third, all national, State, county, school and municipal taxes paid within the year, not including those assessed against local benefits; fourth, losses actually sustained during the year, incurred in trade or arising from fires, storms, or shipwreck, and not compensated for by insurance or otherwise; fifth, debts due to the taxpayer actually ascertained to be worthless and charged off within the year; sixth, a reasonable allowance for the exhaustion, wear and tear of property arising out of its use or employment in the business, not to exceed, in the case of mines, 5 per centum of the gross value at the mine of the output for the year for which the computation is made, but no deduction shall be made for any amount of expense of restoring property or making good the exhaustion thereof for which an allowance is or has been made: *Provided*, That no deduction shall be allowed for any amount paid out for new buildings, permanent improvements, or betterments, made to increase the value of any property or estate; seventh, the amount received as dividends upon the stock or from the net earnings of any corporation, joint stock company, association or insurance company which is taxable upon its net income as hereinafter provided; eighth, the amount of income, the tax upon which has been paid or withheld for payment at the source of the income, under the provisions of this section, provided that whenever the tax upon the income of a person is required to be withheld and paid at the source as hereinafter required, if such annual income does not exceed the sum of \$3,000 or is not fixed or certain, or is indefinite, or irregular as to amount or time of accrual, the same shall not be deducted in the personal return of such person.

The net income from property owned and business carried on in the United States by persons residing elsewhere shall be computed upon the basis prescribed in this paragraph and that part of paragraph G of this section relating to the computation of the net income of corporations, joint-stock and insurance companies, organized, created, or existing under the laws of foreign countries in so far as applicable.

Deductions from net income for normal tax.

Business expenses, interest on indebtedness, national, state, county, school and municipal taxes exclusive of those for local benefits, losses in trade and from fire, storm and shipwreck not insured, worthless debts charged off, depreciation of property, and 5% of the value of the output of mines.

No deductions for restoring property.

No deductions for new buildings.

Deductions of dividends from taxable corporations.

Income, the tax upon which has been paid or withheld at the source, not included.

Computation of net income on property or business in U. S. conducted by persons residing elsewhere.

That in computing net income under this section there shall be excluded the interest upon the obligations of a State or any political subdivision thereof, and upon the obligations of the United States or its possessions also the compensation of the present President of the United States during the term for which he has been elected, and of the judges of the supreme and inferior courts of the United States now in office, and the compensation of all officers and employees of a State or any political subdivision thereof except when such compensation is paid by the United States Government.

Exclusion of income from obligations of a State, the U. S. and possessions, salary of President and Federal Judges.

DEDUCTIONS IN CASES OF SINGLE AND MARRIED PERSONS.

C. That there shall be deducted from the amount of the net income of each of said persons, ascertained as provided herein, the sum of \$3,000, plus \$1,000 additional if the person making the return be a married man with a wife living with him, or plus the sum of \$1,000 additional if the person making the return be a married woman with a husband living with her; but in no event shall this additional exemption of \$1,000 be deducted by both a husband and a wife: *Provided*, That only one deduction of \$4,000 shall be made from the aggregate income of both husband and wife when living together.

Deduction of \$3,000 for single persons and \$1,000 additional for married persons. Aggregate deduction not to exceed \$4,000.

TAX COMPUTED ON REMAINDER OF NET INCOME DURING CALENDAR YEAR. ACCURATE RETURNS UNDER OATH TO BE FILED. WHAT THE RETURNS MUST CONTAIN. GUARDIANS, TRUSTEES, ETC., MUST FILED RETURNS. RETURNS TO BE FILED BY THOSE REQUIRED TO WITHHOLD INCOME AT THE SOURCE. PARTNERSHIPS AS SUCH NOT LIABLE TO THE TAX. DIVIDENDS OR INCOME FROM NET EARNINGS OF CORPORATIONS, ETC., LIABLE TO THE TAX NEED NOT BE INCLUDED IN RETURNS OF PERSONS LIABLE FOR NORMAL TAX ONLY. DUTY OF COLLECTOR WHERE HE BELIEVES INCOME IS UNDERSTATED SUBMISSION OF CASE TO COMMISSIONER OF INTERNAL REVENUE. SWORN TESTIMONY OF WITNESSES MAY BE RECEIVED.

D. The said tax shall be computed upon the remainder of said net income of each person subject thereto, accruing during each preceding calendar year ending December thirty-first: *Provided, however*, That for the year ending December thirty-first, nineteen hundred and thirteen, said tax shall be computed on the net income accruing from March first to December thirty-first, nineteen hun-

Tax on remainder of net income for each calendar year.

For year 1913 from Mch. 31 to Dec. 31 and 5-6 of specific deductions to be made.

Return to be filed by all persons having net income of \$3,000 or over with collector on or before Mch. 1st of each year.

Form of return.

Gross income from all sources to be shown and deductions to be made.

Guardians and all persons acting in fiduciary capacity to make returns. By one of several sufficient.

All persons, firms, corporations, etc., having the control, receipt or payment of income of another subject to the normal tax, shall make a return and withhold said tax.

dred and thirteen, both dates inclusive, after deducting five-sixths only of the specific exemptions and deductions herein provided for. On or before the first day of March, nineteen hundred and fourteen, and the first day of March in each year thereafter, a true and accurate return, under oath or affirmation, shall be made by each person of lawful age, except as hereinafter provided, subject to the tax imposed by this section, and having a net income of \$3,000 or over for the taxable year, to the collector of internal revenue for the district in which such person resides or has his principal place of business, or, in the case of a person residing in a foreign country, in the place where his principal business is carried on within the United States, in such form as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe, setting forth specifically the gross amount of income from all separate sources and from the total thereof, deducting the aggregate items or expenses and allowance herein authorized; guardians, trustees, executors, administrators, agents, receivers, conservators, and all persons, corporations, or associations acting in any fiduciary capacity, shall make and render a return of the net income of the person for whom they act, subject to this tax, coming into their custody or control and management, and be subject to all the provisions of this section which apply to individuals: *Provided*, That a return made by one or two or more joint guardians, trustees, executors, administrators, agents, receivers, and conservators, or other persons acting in a fiduciary capacity, filed in the district where such person resides, or in the district where the will or other instrument under which he acts is recorded, under such regulations as the Secretary of the Treasury may prescribe, shall be a sufficient compliance with the requirements of this paragraph; and also all persons, firms, companies, copartnerships, corporations, joint-stock companies or associations, and insurance companies, except as hereinafter provided, in whatever capacity acting, having the control, receipt, disposal, or payment of fixed or determinable annual or periodical gains, profits, and income of another person subject to tax, shall in behalf of such person deduct and withhold from the payment an amount equivalent to the normal income tax upon the same and make and render a return, as aforesaid, but separate and distinct, of the portion of the income of each person from which the normal tax has been thus withheld, and containing also the name and address of such person or stating that the name and address or the address, as the case

may be, are unknown: *Provided*, That the provision requiring the normal tax of individuals to be withheld at the source of the income shall not be construed to require any of such tax to be withheld prior to the first day of November, nineteen hundred and thirteen: *Provided further*, That in either case above mentioned no return of income not exceeding \$3,000 shall be required: *Provided further*, That any persons carrying on business in partnership shall be liable for income tax only in their individual capacity, and the share of the profits of a partnership to which any taxable partner would be entitled, if the same were divided, whether divided or otherwise, shall be returned for taxation and the tax paid, under the provisions of this section, and any such firm, when requested by the Commissioner of Internal Revenue, or any district collector, shall forward to him a correct statement of such profits and the names of the individuals who would be entitled to the same, if distributed: *Provided further*, That persons liable for the normal income tax only, on their own account or in behalf of another, shall not be required to make return of the income derived from dividends on the capital stock or from the net earnings of corporations, joint-stock companies or associations, and insurance companies taxable upon their net income as hereinafter provided. Any person for whom return has been made and the tax paid, or to be paid as aforesaid, shall not be required to make a return unless such person has other net income, but only one deduction of \$3,000 shall be made in the case of any such person. The collector or deputy collector shall require every list to be verified by the oath or affirmation of the party rendering it. If the collector or deputy collector have reason to believe that the amount of any income returned is understated, he shall give due notice to the person making the return to show cause why the amount of the return should not be increased, and upon proof of the amount understated may increase the same accordingly. If dissatisfied with the decision of the collector, such person may submit the case, with all the papers, to the Commissioner of Internal Revenue for his decision, and may furnish sworn testimony of witnesses to prove any relevant facts.

Normal tax not to be withheld on income prior to Nov. 1, 1913.

No return required where income less than \$3,000.

Members of partnership liable to the tax individually and on profits whether divided or not.

Firm to make return when requested by collector or commissioner.

Dividends on stock or from the net earnings of corporations, etc., need not be included in returns of persons liable to normal tax only.

Person having no other income and tax withheld at source need not make a return.

Return to be verified by oath or affirmation.

Procedure where collector believes income is understated.

Submission of case to Comr. of Int. Rev. Sworn testimony of witnesses may be furnished.

ALL ASSESSMENTS TO BE MADE BY COMMISSIONERS OF INTERNAL REVENUE AND ALL PERSONS LIABLE TO THE TAX TO BE NOTIFIED THEREOF. TAX PAYABLE JUNE 30, OF EACH YEAR. COMMISSIONER TO MAKE RETURN WHEN NONE MADE OR FRAUDULENT RETURN FILED. PENALTY FOR NON-PAYMENT OF TAX. THOSE REQUIRED TO WITHHOLD TAX AT SOURCE MADE PERSONALLY LIABLE THEREFOR. METHOD OF OBTAINING REDUCTION OF \$3,000 IF SINGLE AND OF \$4,000 IF MARRIED WHERE TAX WITHHELD AT SOURCE. PENALTY FOR FALSE OR FRAUDULENT STATEMENT FOR THIS PURPOSE. METHOD OF OBTAINING REDUCTION ALLOWED IN SUBSECTION B WHERE TAX WITHHELD AT SOURCE. WHEN PERSON WITHHOLDING TAX MAY MAKE RETURN FOR PERSON LIABLE THEREFOR. NORMAL TAX TO BE DEDUCTED FROM FIXED AND DETERMINABLE GAINS FROM BONDS, MORTGAGES AND SIMILAR OBLIGATIONS OF CORPORATIONS, ETC., ALTHOUGH SUCH INCOME AMOUNT TO LESS THAN \$3,000 AND THE SAME WITH RESPECT OF INTEREST ON BONDS OF FOREIGN COUNTRIES, FOREIGN MORTGAGES, AND DIVIDENDS ON STOCK OF FOREIGN CORPORATIONS, ETC., SUCH DEDUCTIONS TO BE MADE BY ANY BANKER, BROKER OR OTHER PERSON WHO MAY REALIZE ON SUCH INCOME. IN ALL SUCH CASES THE PROVIDED EXEMPTIONS MAY BE AVAILED OF BY COMPLIANCE WITH THE PROVISIONS OF THE PARAGRAPH. PERSONS OR FIRMS UNDERTAKING AS A BUSINESS OR FOR PROFIT THE COLLECTION OF INCOME FROM FOREIGN SOURCES MUST OBTAIN LICENSE FROM COMMISSIONER OF INTERNAL REVENUE AND BE SUBJECT TO REGULATIONS MADE BY HIM. PENALTY FOR DOING SUCH BUSINESS WITHOUT A LICENSE. CONTRACTS PERTAINING TO FEDERAL INCOME TAX LAW MADE AFTER IT TOOK EFFECT INVALID. WHEN TAX TO BE ASSESSED BY PERSONAL RETURN. PROVISIONS RESPECTING WITHHOLDING TAX AT SOURCE APPLY ONLY TO THE NORMAL TAX.

Assessments to be made by Comr. of Int. Rev. and all persons notified of amount for which they are liable on or before June 1.

Tax to be paid on or before June 30.

Where no return filed or a false or fraudulent one Comr. of Int. Rev. may make same at any time within three years.

E. That all assessments shall be made by the Commissioner of Internal Revenue and all persons shall be notified of the amount for which they are respectively liable on or before the first day of June of each successive year, and said assessments shall be paid on or before the thirtieth day of June, except in cases of refusal or neglect to make such return and in cases of false or fraudulent returns, in which cases the Commissioner of Internal Revenue shall, upon the discovery thereof, at any time within three years after said return is due, make a return upon information obtained

as provided for in this section or by existing law, and the assessment made by the Commissioner of Internal Revenue thereon shall be paid by such person or persons immediately upon notification of the amount of such assessment; and to any sum or sums due and unpaid after the thirtieth day of June in any year, and for ten days after notice and demand thereof by the collector, there shall be added the sum of 5 per centum on the amount of tax unpaid, and interest at the rate of 1 per centum per month upon said tax from the time the same became due, except from the estates of insane, deceased, or insolvent persons.

All persons, firms, copartnerships, companies, corporations, joint-stock companies or associations, and insurance companies, in whatever capacity acting, including lessees or mortgagors of real or personal property, trustees acting in any trust capacity, executors, administrators, agents, receivers, conservators, employers, and all officers and employees of the United States having the control, receipt, custody, disposal, or payment of interest, rent, salaries, wages, premiums, annuities, compensation, remuneration, emoluments, or other fixed or determinable annual gains, profits, and income of another person, exceeding \$3,000 for any taxable year, other than dividends on capital stock, or from the net earnings of corporations and joint-stock companies or associations subject to like tax, who are required to make and render a return in behalf of another, as provided herein, to the collector of his, her, or its district, are hereby authorized and required to deduct and withhold from such annual gains, profits, and income such sum as will be sufficient to pay the normal tax imposed thereon by this section, and shall pay to the officer of the United States Government authorized to receive the same; and they are each hereby made personally liable for such tax. In all cases where the income tax of a person is withheld and deducted and paid or to be paid at the source, as aforesaid, such person shall not receive the benefit of the deduction and exemption allowed in paragraph C of this section except by an application for refund of the tax unless he shall, not less than thirty days prior to the day on which the return of his income is due, file with the person who is required to withhold and pay tax for him, a signed notice in writing claiming the benefit of such exemption and thereupon no tax shall be withheld upon the amount of such exemption: *Provided*, That if any person for the purpose of obtaining any allowance or reduction by virtue of a claim for such exemption, either for himself or for any other per-

Assessment to be paid immediately upon notification.

Penalties, 5% and 1% monthly.

Who to withhold income at the source.

Provided the income exceed \$3,000 per annum exclusive of dividends and net earnings of corporations, etc.

Required to deduct and withhold normal tax and pay same to United States.

Method of obtaining exemptions in Par. C.

Penalty of \$300 for false or fraudulent representation.

Method of obtaining exemptions in Par. B.

When persons withholding tax may make return for person liable therefor.

When normal tax to be withheld although annual income less than \$3,000.

Normal tax to be withheld where income received from interest on bonds of foreign countries, foreign mortgages, etc., not payable in United States; also dividends or interest from stock of obligations of foreign corporations although such income be less than \$3,000.

son, knowingly makes any false statement or false or fraudulent representation, he shall be liable to a penalty of \$300; nor shall any person under the foregoing conditions be allowed the benefit of any deduction provided for in subsection B of this section unless he shall, not less than thirty days prior to the day on which the return of his income is due, either file with the person who is required to withhold and pay tax for him a true and correct return of his annual gains, profits, and income from all other sources, and also the deductions asked for, and the showing thus made shall then become a part of the return to be made in his behalf by the person required to withhold and pay the tax, or likewise make application for deductions to the collector of the district in which return is made or to be made for him: *Provided further*, That if such person is a minor or an insane person, or is absent from the United States, or is unable owing to serious illness to make the return and application above provided for, the return and application may be made for him or her by the person required to withhold and pay the tax, he making oath under the penalties of this Act that he has sufficient knowledge of the affairs and property of his beneficiary to enable him to make a full and complete return for him or her, and that the return and application made by him are full and complete: *Provided further*, That the amount of the normal tax hereinbefore imposed shall be deducted and withheld from fixed and determinable annual gains, profits, and income derived from interest upon bonds and mortgages, or deeds of trust or other similar obligations of corporations, joint-stock companies or associations, and insurance companies, whether payable annually or at shorter or longer periods, although such interest does not amount to \$3,000, subject to the provisions of this section requiring the tax to be withheld at the source and deducted from annual income and paid to the Government; and likewise the amount of such tax shall be deducted and withheld from coupons, checks, or bills of exchange for or in payment of interest upon bonds of foreign countries and upon foreign mortgages or like obligations (not payable in the United States), and also from coupons, checks, or bills of exchange for or in payment of any dividends upon the stock or interest upon the obligations of foreign corporations, associations, and insurance companies engaged in business in foreign countries; and the tax in each case shall be withheld and deducted for and in behalf of any person subject to the tax hereinbefore imposed, although such

interest, dividends, or other compensation does not exceed \$3,000, by any banker or person who shall sell or otherwise realize coupons, checks, or bills of exchange drawn or made in payment of any such interest or dividends (not payable in the United States), and any person who shall obtain payment (not in the United States), in behalf of another of such dividends and interest by means of coupons, checks, or bills of exchange, and also any dealer in such coupons who shall purchase the same for any such dividends or interest (not payable in the United States), otherwise than from a banker or another dealer in such coupons; but in each case the benefit of the exemption and the deduction allowable under this section may be had by complying with the foregoing provisions of this paragraph.

All persons, firms, or corporations undertaking as a matter of business or for profit the collection of foreign payments of such interest or dividends by means of coupons, checks, or bills of exchange shall obtain a license from the Commissioner of Internal Revenue, and shall be subject to such regulations enabling the Government to ascertain and verify the due withholding and payment of the income tax required to be withheld and paid as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe; and any person who shall knowingly undertake to collect such payments as aforesaid without having obtained a license therefor, or without complying with such regulations, shall be deemed guilty of a misdemeanor and for each offense be fined in a sum not exceeding \$5,000, or imprisoned for a term not exceeding one year, or both, in the discretion of the court.

Nothing in this section shall be construed to release a taxable person from liability for income tax, nor shall any contract entered into after this Act takes effect be valid in regard to any Federal income tax imposed upon a person liable to such payment.

The tax herein imposed upon annual gains, profits, and income not falling under the foregoing and not returned and paid by virtue of the foregoing shall be assessed by personal return under rules and regulations to be prescribed by the Commissioner of Internal Revenue and approved by the Secretary of the Treasury.

The provisions of this section relating to the deduction and payment of the tax at the source of income shall only apply to the normal tax hereinbefore imposed upon individuals.

Deduction to be made by any banker or person who realizes thereon or obtains payment thereof on behalf of another.

Deductions allowed in paragraph may be obtained by compliance therewith.

License required for those engaging in business of collecting foreign payments, from Comr. of Int. Rev. Subject to regulations by Comr. Fine of \$5,000 for proceeding without a license or violating regulations.

Nothing herein to be construed to release a taxable person from the tax. No contract pertaining to tax to be valid if made subsequent to act taking effect.

Any imposed tax not falling under foregoing to be assessed under personal return under rules and regulations of Comr. of Int. Rev.

Provisions respecting deduction of tax at the source apply only to normal tax.

PENALTY FOR REFUSAL OR NEGLECT TO MAKE THE RETURN OR PAY
THE TAX AND FOR MAKING A FALSE OR FRAUDULENT RETURN.

Penalty of from
\$20 to \$1,000 for
failure to make the
return or pay the tax.
Misdemeanor if
false or fraudulent
return is made. Fine
of \$2,000, or impris-
onment of one year
or both.

F. That if any person, corporation, joint-stock company, association, or insurance company liable to make the return or pay the tax aforesaid shall refuse or neglect to make a return at the time or times hereinbefore specified in each year, such person shall be liable to a penalty of not less than \$20 nor more than \$1,000. Any person or any officer of any corporation required by law to make, render, sign, or verify any return who makes any false or fraudulent return or statement with intent to defeat or evade the assessment required by this section to be made shall be guilty of a misdemeanor, and shall be fined not exceeding \$2,000 or be imprisoned not exceeding one year, or both, at the discretion of the court, with the costs of prosecution.

NORMAL TAX LEVIED UPON ENTIRE NET INCOME OF EVERY CORPORATION, JOINT-STOCK COMPANY OR ASSOCIATION AND EVERY INSURANCE COMPANY ORGANIZED IN THE UNITED STATES AND IF ORGANIZED ELSEWHERE THEN UPON INCOME FROM BUSINESS TRANSACTED IN THE UNITED STATES. EXEMPTION OF LABOR, FRATERNAL, CHARITABLE AND SIMILAR CORPORATIONS, ORGANIZATIONS OR ASSOCIATIONS. HOW SUCH NET INCOME ASCERTAINED IN CASES OF DOMESTIC AND FOREIGN CORPORATIONS, ETC. TAX IMPOSED UPON ENTIRE NET INCOME ACCRUED WITHIN EACH CALENDAR YEAR. MAY DESIGNATE LAST DAY OF ANY MONTH AS END OF FISCAL YEAR. RETURNS MUST BE FILED ON OR BEFORE MARCH FIRST OF EACH YEAR, EXCEPTIONS. WHAT MUST BE SHOWN IN RETURNS BY FOREIGN CORPORATIONS, ETC. NOTIFICATION OF ASSESSMENT ON OR BEFORE JUNE FIRST OF EACH YEAR AND TAX TO BE PAID ON OR BEFORE JUNE THIRTIETH. PROVISIONS GOVERNING WHERE A FISCAL YEAR OTHER THAN THE CALENDAR YEAR IS DESIGNATED. PENALTY FOR NON-PAYMENT. RETURNS ONLY TO BE INSPECTED UPON ORDER OF THE PRESIDENT. PENALTIES PROVIDED FOR FAILURE TO FILE A RETURN AND FOR FALSE OR FRAUDULENT RETURNS.

Corporations, joint stock companies or associations and insurance companies liable to normal tax of 1% upon entire net income.

G. (a) That the normal tax hereinbefore imposed upon individuals likewise shall be levied, assessed, and paid annually upon the entire net income arising or accruing from all sources during the preceding calendar year to every corporation, joint-stock com-

pany or association, and every insurance company, organized in the United States, no matter how created or organized, not including partnerships; but if organized, authorized, or existing under the laws of any foreign country, then upon the amount of net income accruing from business transacted and capital invested within the United States during such year: *Provided, however,* That nothing in this section shall apply to labor, agricultural, or horticultural organizations, or to mutual savings banks not having a capital stock represented by shares, or to fraternal beneficiary societies, orders, or associations operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and providing for the payment of life, sick, accident, and other benefits to the members of such societies, orders, or associations and dependents of such members, nor to domestic building and loan associations, nor to cemetery companies, organized and operated exclusively for the mutual benefit of their members, nor to any corporation or association organized and operated exclusively for religious, charitable, scientific, or educational purposes, no part of the net income of which inures to the benefit of any private stockholder or individual, nor to business leagues, nor to chambers of commerce or boards of trade, not organized for profit or no part of the net income of which inures to the benefit of the private stockholder or individual; nor to any civic league or organization not organized for profit, but operated exclusively for the promotion of social welfare: *Provided further,* That there shall not be taxed under this section any income derived from any public utility or from the exercise of any essential governmental function accruing to any State, Territory, or the District of Columbia, or any political subdivision of a State, Territory or the District of Columbia, nor any income accruing to the government of the Philippine Islands or Porto Rico, or of any political subdivision of the Philippine Islands or Porto Rico; *Provided,* That whenever any State, Territory, or the District of Columbia, or any political subdivision of a State or Territory, has, prior to the passage of this Act, entered in good faith into a contract with any person or corporation, the object and purpose of which is to acquire, construct, operate or maintain a public utility, no tax shall be levied under the provisions of this Act upon the income derived from the operation of such public utility, so far as the payment thereof will impose a loss or burden upon such State, Territory, or the District of Columbia, or a political subdivision of a State or Territory; but

If organized in foreign company then tax on income from business conducted in U. S.

Section not applicable to labor, agricultural, or horticultural organizations, mutual savings banks without capital stock represented by shares, fraternal societies, etc., operating under the lodge system and providing for payment of life, sick, accident or other benefits, domestic building and loan associations, certain cemetery companies, corporations operated exclusively for religious, charitable, scientific or educational purposes when no income goes to private stockholders, nor to business or civic leagues, etc.

Income from public utilities exempt.

Also income accruing to any State, Territory, or the District of Columbia, Philippine Islands, Porto Rico, or any subdivision thereof.

Contracts respecting public utilities, when income from exempt.

this provision is not intended to confer upon such person or corporation any financial gain or exemption or to relieve such person or corporation from the payment of a tax as provided for in this section upon the part or portion of the said income to which such person or corporation shall be entitled under such contract.

Method of ascertaining net income of corporation, joint-stock company or association or insurance company (domestic). Deductions permitted.
First. Ordinary and necessary expenses.

Second. Losses actually sustained and not compensated by insurance, wear and tear, for depletion of mines, addition to reserve funds of insurance companies, provisions respecting mutual fire insurance companies, mutual marine insurance companies and life insurance companies.

(b) Such net income shall be ascertained by deducting from the gross amount of the income of such corporation, joint-stock company or association, or insurance company, received within the year from all sources (first) all the ordinary and necessary expenses paid within the year in the maintenance and operation of its business and properties, including rentals or other payments required to be made as a condition to the continued use or possession of property; (second) all losses actually sustained within the year and not compensated by insurance or otherwise, including a reasonable allowance for depreciation by use, wear and tear of property; if any; and in the case of mines a reasonable allowance for depletion of ores and all other natural deposits, not to exceed 5 per centum of the gross value at the mine of the output for the year for which the computation is made; and in case of insurance companies the net addition, if any, required by law to be made within the year to reserve funds and the sums other than dividends paid within the year on policy and annuity contracts: *Provided*, That mutual fire insurance companies requiring their members to make premium deposits to provide for losses and expenses shall not return as income any portion of the premium deposits returned to their policyholders, but shall return as taxable income all income received by them from all other sources plus such portions of the premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves: *Provided further*, That mutual marine insurance companies shall include in their return of gross income gross premiums collected and received by them less amounts paid for reinsurance, but shall be entitled to include in deductions from gross income amounts repaid to policyholders on account of premiums previously paid by them and interest paid upon such amounts between the ascertainment thereof and the payment thereof and life insurance companies shall not include as income in any year such portion of any actual premium received from any individual policyholder as shall have been paid back or credited to such individual policyholder, or treated as an abatement of premium of such individual policyholder, within such year; (third) the amount of interest accrued and paid within the year on

Third. Interest accrued and paid on account of indebtedness, *proviso*.

its indebtedness to an amount of such indebtedness not exceeding one-half of the sum of its interest bearing indebtedness and its paid-up capital stock outstanding at the close of the year, or if no capital stock, the amount of interest paid within the year on an amount of its indebtedness not exceeding the amount of capital employed in the business at the close of the year: *Provided*, That in case of indebtedness wholly secured by collateral the subject of sale in ordinary business of such corporation, joint-stock company, or association, the total interest secured and paid by such company, corporation, or association within the year on any such indebtedness may be deducted as a part of its expense of doing business: *Provided further*, That in the case of bonds or other indebtedness, which have been issued with a guaranty that the interest payable thereon shall be free from taxation, no deduction for the payment of the tax herein imposed shall be allowed; and in the case of a bank, banking association, loan, or trust company, interest paid within the year on deposits or on moneys received for investment and secured by interest-bearing certificates of indebtedness issued by such bank, banking association, loan or trust company; (fourth) all sums paid by it within the year for taxes imposed under the authority of the United States or of any State or Territory thereof, or imposed by the Government of any foreign country; *Provided*, That in the case of a corporation, joint-stock company or association, or insurance company, organized, authorized, or existing under the laws of any foreign country, such net income shall be ascertained by deducting from the gross amount of its income accrued within the year from business transacted and capital invested within the United States, (first) all the ordinary and necessary expenses actually paid within the year out of earnings in the maintenance and operation of its business and property within the United States, including rentals or other payments required to be made as a condition to the continued use or possession of property; (second) all losses actually sustained within the year in business conducted by it within the United States and not compensated by insurance or otherwise, including a reasonable allowance for depreciation by use, wear and tear of property, if any, and in the case of mines a reasonable allowance for depletion of ores and all other natural deposits, not to exceed 5 per centum of the gross value at the mine of the output for the year for which the computation is made; and in case of insurance companies the net addition, if any, required by law to be made within the year to reserve

Fourth. Taxes imposed by U. S., a State or Territory thereof or any foreign government, *proviso.*

Method of ascertaining net income of corporation, joint-stock company or association, or insurance company organized or existing under laws of any foreign country.

Deductions permitted.

First. Ordinary and necessary expenses.

Second. Losses actually sustained in business in U. S. and not compensated by insurance allowance for depreciation, depletion of mines, addition to reserve fund of insurance companies, provisions respecting mutual fire insurance companies, mutual marine insurance companies and life insurance companies.

funds and the sums other than dividends paid within the year on policy and annuity contracts: *Provided further*, That mutual fire insurance companies requiring their members to make premium deposits to provide for losses and expenses shall not return as income any portion of the premium deposits returned to their policyholders, but shall return as taxable income all income received by them from all other sources plus such portions of the premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves: *Provided further*, That mutual marine insurance companies shall include in their return of gross income gross premiums collected and received by them less amounts paid for reinsurance, but shall be entitled to include in deductions from gross income amounts repaid to policyholders on account of premiums previously paid by them, and interest paid upon such amounts between the ascertainment thereof and the payment thereof and life insurance companies shall not include as income in any year such portion of any actual premium received from any individual policyholder as shall have been paid back or credited to such individual policyholder, or treated as an abatement of premium of such individual policyholder, within such year; (third) the amount of interest accrued and paid within the year on its indebtedness to an amount of such indebtedness not exceeding the proportion of one-half of the sum of its interest bearing indebtedness and its paid-up capital stock outstanding at the close of the year, or if no capital stock, the capital employed in the business at the close of the year which the gross amount of its income for the year from business transacted and capital invested within the United States bears to the gross amount of its income derived from all sources within and without the United States: *Provided*, That in the case of bonds or other indebtedness which have been issued with a guaranty that the interest payable thereon shall be free from taxation, no deduction for the payment of the tax herein imposed shall be allowed; (fourth) all sums paid by it within the year for taxes imposed under the authority of the United States or of any State or Territory thereof of the District of Columbia. In the case of assessment insurance companies, whether domestic or foreign, the actual deposit of sums with State or Territorial officers, pursuant to law, as additions to guarantee or reserve funds shall be treated as being payments required by law to reserve funds.

Third. Interest accrued and paid on account of indebtedness, *proviso*.

Fourth. Taxes paid under authority of U. S. or any State or Territory thereof or the District of Columbia.

Payments by assessment insurance companies to State or Territorial officers to be regarded as payments required by law to reserve funds.

(c) The tax herein imposed shall be computed upon its entire net income accrued within each preceding calendar year ending December thirty-first: *Provided, however,* That for the year ending December thirty-first, nineteen hundred and thirteen, said tax shall be imposed upon its entire net income accrued within that portion of said year from March first to December thirty-first, both dates inclusive, to be ascertained by taking five-sixths of its entire net income for said calendar year: *Provided further,* That any corporation, joint-stock company or association, or insurance company subject to this tax may designate the last day of any month in the year as the day of the closing of its fiscal year and shall be entitled to have the tax payable by it computed upon the basis of the net income ascertained as herein provided for the year ending on the day so designated in the year preceding the date of assessment instead of upon the basis of the net income for the calendar year preceding the date of assessment; and it shall give notice of the day it has thus designated as the closing of its fiscal year to the collector of the district in which its principal business office is located at any time not less than thirty days prior to the date upon which its annual return shall be filed. All corporations, joint-stock companies or associations, and insurance companies subject to the tax herein imposed, computing taxes upon the income of the calendar year, shall, on or before the first day of March, nineteen hundred and fourteen, and the first day of March in each year thereafter, and all corporations, joint-stock companies or associations, and insurance companies, computing taxes upon the income of a fiscal year which it may designate in the manner hereinbefore provided, shall render a like return within sixty days after the close of its said fiscal year, and within sixty days after the close of its fiscal year in each year thereafter, or in the case of a corporation, joint-stock company or association, or insurance company, organized or existing under the laws of a foreign country, in the place where its principal business is located within the United States, in such form as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe, shall render a true and accurate return under oath or affirmation of its president, vice-president, or other principal officer, and its treasurer or assistant treasurer, to the collector of internal revenue for the district in which it has its principal place of business, setting forth (first) the total amount of its paid-up capital stock outstanding, or if no capital stock, its capital employed in business, at the close of the year; (second) the total

Tax to be computed upon entire net income accrued during each calendar year.

For year 1913 tax computed for period from March 1 to December 31, how ascertained.

Designation of last day of any month as day of closing fiscal year. Notice thereof to collector.

Returns to be filed March 1 of each year or sixty days after ending of fiscal year as designated.

What returns by foreign corporations, joint-stock companies, or associations or insurance companies must show.

Total amount of capital.

Total amount of bonded or other indebtedness.

Income from all sources and income from business in U. S.

Ordinary and necessary expenses and cost of maintenance and operation of its business in the U. S.

Total of losses actually sustained not compensated by insurance, depreciation, net addition to reserve funds of insurance companies, provisions respecting mutual fire insurance companies, mutual marine insurance companies and life insurance companies.

Foreign corporations, etc., all losses actually sustained in business in U. S. not compensated by insurance, depreciation of property and additions to reserve funds of insurance companies.

amount of its bonded and other indebtedness at the close of the year; (third) the gross amount of its income, received during such year from all sources, and if organized under the laws of a foreign country the gross amount of its income received within the year from business transacted and capital invested within the United States; (fourth) the total amount of all its ordinary and necessary expenses paid out of earnings in the maintenance and operation of the business and properties of such corporation, joint-stock company or association, or insurance company within the year, stating separately all rentals or other payments required to be made as a condition to the continued use or possession of property, and if organized under the laws of a foreign country the amount so paid in the maintenance and operation of its business within the United States; (fifth) the total amount of all losses actually sustained during the year and not compensated by insurance or otherwise, stating separately any amounts allowed for depreciation of property, and in case of insurance companies the net addition, if any, required by law to be made within the year to reserve funds and the sums other than dividends paid within the year on policy and annuity contracts: *Provided further*, That mutual fire insurance companies requiring their members to make premium deposits to provide for losses and expenses shall not return as income any portion of the premium deposits returned to their policyholders, but shall return as taxable income all income received by them from all other sources plus such portions of the premium deposits as are retained by the companies for purposes other than the payments of losses and expenses and reinsurance reserves: *Provided further*, That mutual marine insurance companies shall include in their return of gross income gross premiums collected and received by them less amounts paid for reinsurance, but shall be entitled to include in deductions from gross income amounts repaid to policyholders on account of premiums previously paid by them, and interest paid upon such amounts between the ascertainment thereof and the payment thereof and life insurance companies shall not include as income in any year such portion of any actual premium received from any individual policyholder as shall have been paid back or credited to such individual policyholder, or treated as an abatement of premium of such individual policyholder, within such year; and in case of a corporation, joint-stock company or association, or insurance company, organized under the laws of a foreign country, all losses actually sustained by it during the year in business conducted by

it within the United States, not compensated by insurance or otherwise, stating separately any amounts allowed for depreciation of property, and in case of insurance companies the net addition, if any, required by law to be made within the year to reserve funds and the sums other than dividends paid within the year on policy and annuity contracts: *Provided further*, That mutual fire insurance companies requiring their members to make premium deposits to provide for losses and expenses shall not return as income any portion of the premium deposits returned to their policyholders, but shall return as taxable income all income received by them from all other sources plus such portions of the premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves: *Provided further*, That mutual marine insurance companies shall include in their return of gross income gross premiums collected and received by them less amounts paid for reinsurance, but shall be entitled to include in deductions from gross income amounts repaid to policyholders on account of premiums previously paid by them and interest paid upon such amounts between the ascertainment thereof and the payment thereof and life insurance companies shall not include as income in any year such portion of any actual premium received from any individual policyholder as shall have been paid back or credited to such individual policyholder, or treated as an abatement of premium of such individual policyholder, within such year; (sixth) the amount of interest accrued and paid within the year on its bonded or other indebtedness not exceeding one-half of the sum of its interest bearing indebtedness and its paid-up capital stock, outstanding at the close of the year, or if no capital stock, the amount of interest paid within the year on an amount of indebtedness not exceeding the amount of capital employed in the business at the close of the year, and in the case of a bank, banking association, or trust company, stating separately all interest paid by it within the year on deposits; or in case of a corporation, joint-stock company or association, or insurance company, organized under the laws of a foreign country, interest so paid on its bonded or other indebtedness to an amount of such bonded or other indebtedness not exceeding the proportion of its paid-up capital stock outstanding at the close of the year, or if no capital stock, the amount of capital employed in the business at the close of the year, which the gross amount of its income for the year from business transacted and capital invested within the United States

Premium deposits
of foreign mutual
insurance companies
not income.

Deductions to be
made by foreign mu-
tual marine insur-
ance companies.

Premiums credited
back to policy-holders
in foreign life in-
surance companies
not included.

Interest accrued
and paid on indebt-
edness, limitations.

Taxes imposed by authority of U. S. and by any foreign country.

The net income after making authorized deductions.

To be notified of assessments on or before June 1, and tax to be paid on or before June 30.

Those selecting fiscal year to pay tax 120 days after date required to file return.

Procedure where failure to make return or false or fraudulent return is made.

Penalty of 5% for failure to pay tax when due and 1% monthly.

Returns only to be inspected by order of the President.

bears to the gross amount of its income derived from all sources within and without the United States; (seventh) the amount paid by it within the year for taxes imposed under the authority of the United States and separately the amount so paid by it for taxes imposed by the Government of any foreign country; (eighth) the net income of such corporation, joint-stock company or association, or insurance company, after making the deductions in this subsection authorized. All such returns shall as received be transmitted forthwith by the collector to the Commissioner of Internal Revenue.

All assessments shall be made and the several corporations, joint-stock companies or associations, and insurance companies shall be notified of the amount for which they are respectively liable on or before the first day of June of each successive year, and said assessment shall be paid on or before the thirtieth day of June: *Provided*, That every corporation, joint-stock company or association, and insurance company, computing taxes upon the income of the fiscal year which it may designate in the manner hereinbefore provided, shall pay the taxes due under its assessment within one hundred and twenty days after the date upon which it is required to file its list or return of income for assessment; except in cases of refusal or neglect to make such return, and in cases of false or fraudulent returns, in which cases the Commissioner of Internal Revenue shall, upon the discovery thereof, at any time within three years after said return is due, make a return upon information obtained as provided for in this section or by existing law, and the assessment made by the Commissioner of Internal Revenue thereon shall be paid by such corporation, joint-stock company or association, or insurance company immediately upon notification of the amount of such assessment; and to any sum or sums due and unpaid after the thirtieth day of June in any year, or after one hundred and twenty days from the date on which the return of income is required to be made by the taxpayer, and after ten days' notice and demand thereof by the collector, there shall be added the sum of 5 per centum on the amount of tax unpaid and interest at the rate of 1 per centum per month upon said tax from the time the same becomes due.

(d) When the assessment shall be made, as provided in this section, the returns, together with any corrections thereof which may have been made by the commissioner, shall be filed in the office of the Commissioner of Internal Revenue and shall constitute public records and be open to inspection as such: *Provided*, That any and all such returns shall be open to inspection only upon the order of

the President, under rules and regulations to be prescribed by the Secretary of the Treasury and approved by the President: *Provided further*, That the proper officers of any State imposing a general income tax may, upon the request of the governor thereof, have access to said returns or to an abstract thereof, showing the name and income of each such corporation, joint-stock company, association or insurance company, at such times and in such manner as the Secretary of the Treasury may prescribe.

Access to return
by State officers
when.

If any of the corporations, joint-stock companies or associations, or insurance companies aforesaid, shall refuse or neglect to make a return at the time or times hereinbefore specified in each year, or shall render a false or fraudulent return, such corporation, joint-stock company or association, or insurance company shall be liable to a penalty of not exceeding \$10,000.

Penalty for failure
to make return or
for making a false or
fraudulent return, a
sum not exceeding
\$10,000.

WHAT THE WORDS "STATE" OR "UNITED STATES" INCLUDE.

H. That the word "State" or "United States" when used in this section shall be construed to include any Territory, Alaska, the District of Columbia, Porto Rico, and the Philippine Islands, when such construction is necessary to carry out its provisions.

SECTIONS 3167, 3172, 3173 AND 3176 OF THE REVISED STATUTES OF THE UNITED STATES AMENDED. UNLAWFUL FOR INTERNAL REVENUE EMPLOYEES TO DIVULGE INFORMATION, PENALTY, PUNISHMENT. LISTS OF PERSONS AND OBJECTS LIABLE TO TAX TO BE PREPARED BY COLLECTORS. WHEN RETURNS MUST BE MADE IN CASES OF SPECIAL TAXES AND OF INCOME TAX. WHEN DUTY OF COLLECTOR TO MAKE THE RETURN. NOTICE REQUIRING FILING OF RETURN, HOW GIVEN. POWER OF COLLECTOR TO REQUIRE THE PRODUCTION OF WITNESSES, BOOKS OF ACCOUNT, ETC., WHERE NO RETURN HAS BEEN MADE OR THERE HAS BEEN A FALSE OR FRAUDULENT RETURN. PENALTIES FOR MAKING INTENTIONALLY FALSE OR FRAUDULENT RETURN AND FOR FAILURE TO MAKE ANY RETURN. COLLECTOR MAY EXTEND TIME IN CASES OF SICKNESS OR ABSENCE.

I. That sections thirty-one hundred and sixty-seven, thirty-one hundred and seventy-two, thirty-one hundred and seventy-three and thirty-one hundred and seventy-six of the Revised Statutes of the

United States as amended are hereby amended so as to read as follows:

Unlawful for any internal revenue employee to divulge any information acquired in discharge of his duties.

Unlawful to print any information contained in a return.

Violation a misdemeanor, \$1,000 fine, or imprisonment one year or both. Disqualification against holding office.

Collectors to make lists of persons and objects liable to the tax.

Return for special tax to be made on or before July 31.

Return for income tax to be made on or before March 1.

Return in other cases before tax accrues.

What the returns must contain.

"SEC. 3167. It shall be unlawful for any collector, deputy collector, agent, clerk, or other officer or employee of the United States to divulge or to make known in any manner whatever not provided by law to any person the operations, style of work, or apparatus of any manufacturer or producer visited by him in the discharge of his official duties, or the amount or source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any income return by any person or corporation, or to permit any income return or copy thereof or any book containing any abstract or particulars thereof to be seen or examined by any person except as provided by law; and it shall be unlawful for any person to print or publish in any manner whatever not provided by law any income return or any part thereof or the amount or source of income, profits, losses, or expenditures appearing in any income return; and any offense against the foregoing provision shall be a misdemeanor and be punished by a fine not exceeding \$1,000 or by imprisonment not exceeding one year, or both, at the discretion of the court; and if the offender be an officer or employee of the United States he shall be dismissed from office and be incapable thereafter of holding any office under the Government.

"SEC. 3172. Every collector shall, from time to time, cause his deputies to proceed through every part of his district and inquire after and concerning all persons therein who are liable to pay any internal-revenue tax, and all persons owning or having the care and management of any objects liable to pay any tax, and to make a list of such persons and enumerate said objects.

"SEC. 3173. It shall be the duty of any person, partnership, firm, association, or corporation, made liable to any duty, special tax, or other tax imposed by law, when not otherwise provided for, in case of a special tax, on or before the thirty-first day of July in each year, in case of income tax on or before the first day of March in each year, and in other cases before the day on which the taxes accrue, to make a list or return, verified by oath or affirmation, to the collector or a deputy collector of the district where located, of the articles or objects, including the amount of annual income charged with a duty or tax, the quantity of goods, wares, and merchandise made or sold and charged with a tax, the several rates and aggregate amount, according to the forms and regulations to be prescribed by the Commissioner of Internal Revenue, with the ap-

proval of the Secretary of the Treasury, for which such person, partnership, firm, association, or corporation is liable: *Provided*, That if any person liable to pay any duty or tax, or owning, possessing, or having the care or management of property, goods, wares, and merchandise, articles or objects liable to pay any duty, tax, or license, shall fail to make and exhibit a list or return required by law, but shall consent to disclose the particulars of any and all the property, goods, wares, and merchandise, articles, and objects liable to pay any duty or tax, or any business or occupation liable to pay any tax as aforesaid, then, and in that case, it shall be the duty of the collector or deputy collector to make such list or return, which, being distinctly read, consented to, and signed and verified by oath or affirmation by the person so owning, possessing, or having the care and management as aforesaid, may be received as the list of such person: *Provided further*, That in case no annual list or return has been rendered by such person to the collector or deputy collector as required by law, and the person shall be absent from his or her residence or place of business at the time the collector or a deputy collector shall call for the annual list or return, it shall be the duty of such collector or deputy collector to leave at such place of residence or business, with some one of suitable age and discretion, if such be present, otherwise to deposit in the nearest post-office, a note or memorandum addressed to such person, requiring him or her to render to such collector or deputy collector the list or return required by law within ten days from the date of such note or memorandum, verified by oath or affirmation. And if any person, on being notified or required as aforesaid, shall refuse or neglect to render such list or return within the time required as aforesaid, or whenever any person who is required to deliver a monthly or other return of objects subject to tax fails to do so at the time required, or delivers any return which, in the opinion of the collector, is false or fraudulent, or contains any undervaluation or understatement, it shall be lawful for the collector to summon such person, or any other person having possession, custody, or care of books of account containing entries relating to the business of such person, or any other person he may deem proper, to appear before him and produce such books, at a time and place named in the summons, and to give testimony or answer interrogatories, under oath, respecting any objects liable to tax or the returns thereof. The collector may summon any person residing or found within the State in which his district lies; and when the person intended to

Failure to make the return. Voluntary disclosure to collector who shall prepare the return.

Duty of collector when no return made and person absent. Leaving notice and sending same by mail.

Failure to make the return or making false or fraudulent return.

Collector may summons witnesses and require production of books of account, etc.

Collector may summons any person in the State where his district lies.

May obtain witnesses in other States.

be summoned does not reside and can not be found within such State, he may enter any collection district where such person may be found and there make the examination herein authorized. And to this end he may there exercise all the authority which he might lawfully exercise in the district for which he was commissioned.

"SEC. 3176. When any person, corporation, company, or association refuses or neglects to render any return or list required by law, or renders a false or fraudulent return or list, the collector or any deputy collector shall make, according to the best information which he can obtain, including that derived from the evidence elicited by the examination of the collector, and on his own view and information, such list or return, according to the form prescribed, of the income, property, and objects liable to tax owned or possessed or under the care or management of such person or corporation, company or association, and the Commissioner of Internal Revenue shall assess all taxes not paid by stamps, including the amount, if any, due for special tax, income or other tax, and in case of any return of a false or fraudulent list or valuation intentionally he shall add 100 per centum to such tax; and in case of a refusal or neglect, except in cases of sickness or absence, to make a list or return, or to verify the same as aforesaid, he shall add 50 per centum to such tax. In case of neglect occasioned by sickness or absence as aforesaid the collector may allow such further time for making and delivering such list or return as he may deem necessary, not exceeding thirty days. The amount so added to the tax shall be collected at the same time and in the same manner as the tax unless the neglect or falsity is discovered after the tax has been paid, in which case the amount so added shall be collected in the same manner as the tax; and the list or return so made and subscribed by such collector or deputy collector shall be held prima facie good and sufficient for all legal purposes."

DUTY OF COLLECTOR TO GIVE RECEIPT WHENEVER TAXES, EXCEPT STAMP TAXES, ARE PAID. WHEN SEPARATE RECEIPTS MUST BE GIVEN. RECEIPTS SUFFICIENT EVIDENCE TO JUSTIFY DEBTOR IN WITHHOLDING SUCH AMOUNT FROM NEXT PAYMENT TO HIS CREDITOR. HOW CREDITOR MAY REQUIRE SURRENDER OF RECEIPT TO HIM.

J. That it shall be the duty of every collector of internal revenue, to whom any payment of any taxes other than the tax represented by an adhesive stamp or other engraved stamp is made under the

After obtaining necessary information collector shall make the return and Comr. of Int. Rev. shall assess the taxes.

For intentionally false or fraudulent return penalty of 100%. For refusal or neglect to file return, except where sick or absent, penalty of 50%.

Collector may allow further time in cases of sickness or absence.

Collection of aforesaid penalties.

Collector must give receipt for all payments except for stamp taxes. Separate receipts for different taxes.

provisions of this section, to give to the person making such payment a full written or printed receipt, expressing the amount paid and the particular account for which such payment was made; and whenever such payment is made such collector shall, if required, give a separate receipt for each tax paid by any debtor, on account of payments made to or to be made by him to separate creditors in such form that such debtor can conveniently produce the same separately to his several creditors in satisfaction of their respective demands to the amounts specified in such receipts; and such receipts shall be sufficient evidence in favor of such debtor to justify him in withholding the amount therein expressed from his next payment to his creditor; but such creditor may, upon giving to his debtor a full written receipt, acknowledging the payment to him of whatever sum may be actually paid, and accepting the amount of tax paid as aforesaid (specifying the same) as a further satisfaction of the debt to that amount, require the surrender to him of such collector's receipt.

Debtor paying creditor's taxes.

Debtor by giving receipt in full to creditor may obtain collector's receipt for taxes.

JURISDICTION CONFERRED UPON U. S. DISTRICT COURTS TO COMPEL ATTENDANCE OF WITNESSES, THE PRODUCTION OF BOOKS AND TESTIMONY.

K. That jurisdiction is hereby conferred upon the district courts of the United States for the district within which any person summoned under this section to appear to testify or to produce books shall reside, to compel such attendance, production of books, and testimony by appropriate process.

PROVISIONS OF EXISTING LAW RELATING TO ASSESSMENT, REMISSION, COLLECTION AND REFUNDMENT OF INTERNAL REVENUE TAXES MADE APPLICABLE.

L. That all administrative, special, and general provisions of law, including the laws in relation to the assessment, remission, collection, and refund of internal-revenue taxes not heretofore specifically repealed and not inconsistent with the provisions of this section, are hereby extended and made applicable to all the provisions of this section and to the tax herein imposed.

LAW TO EMBRACE PHILIPPINES AND PORTO RICO. REVENUES THERE COLLECTED TO BE USED FOR BENEFIT OF GOVERNMENTS OF THOSE ISLANDS. JURISDICTION OF COURTS OF FIRST INSTANCE. COMPENSATION PAID OFFICIALS OF THOSE ISLANDS AND OF THE DISTRICT OF COLUMBIA, BY THE GOVERNMENTS THEREOF NOT EXEMPT FROM INCLUSION IN NET INCOME.

Tax law applies to Philippine Islands and Porto Rico. Revenues collected there to be used there.

Jurisdiction of courts of the first instance.

Compensation paid officials there and of District of Columbia by governments thereof to be included in net income.

M. That the provisions of this section shall extend to Porto Rico and the Philippine Islands: *Provided*, That the administration of the law and the collection of the taxes imposed in Porto Rico and the Philippine Islands shall be by the appropriate internal-revenue officers of those governments, and all revenues collected in Porto Rico and the Philippine Islands thereunder shall accrue intact to the general governments thereof, respectively: *And provided further*, That the jurisdiction in this section conferred upon the district courts of the United States shall, so far as the Philippine Islands are concerned, be vested in the courts of the first instance of said islands: *And provided further*, That nothing in this section shall be held to exclude from the computation of the net income the compensation paid any official by the governments of the District of Columbia, Porto Rico and the Philippine Islands or the political subdivisions thereof.

APPROPRIATION FOR PURPOSE OF CARRYING ACT INTO EFFECT. APPOINTMENTS AND COMPENSATION OF OFFICERS, AGENTS, INSPECTORS, ETC. ADDITIONAL DEPUTY COMMISSIONER OF INTERNAL REVENUE AND HEADS OF DIVISIONS. RULES AND REGULATIONS GOVERNING EMPLOYEES TO BE FIXED BY SECRETARY OF THE TREASURY.

Appropriation of \$800,000 to carry act into effect including expenses of collecting the tax and detection and punishment of violations thereof.

N. That for the purpose of carrying into effect the provisions of Section II of this Act, and to pay the expenses of assessing and collecting the income tax therein imposed, and to pay such sums as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may deem necessary, for information, detection and bringing to trial and punishment persons guilty of violating the provisions of this section, or conniving at the same, in cases where such expenses are not otherwise provided for by law, there is hereby appropriated out of any money in the Treasury not otherwise appropriated for the fiscal year ending June thirtieth, nineteen hundred and fourteen, the sum of \$800,000, and the Commissioner of

Internal Revenue, with the approval of the Secretary of the Treasury, is authorized to appoint and pay from this appropriation all necessary officers, agents, inspectors, deputy collectors, clerks, messengers and janitors, and to rent such quarters, purchase such supplies, equipment, mechanical devices, and other articles as may be necessary for employment or use in the District of Columbia or any collection district in the United States, or any of the Territories thereof: *Provided*, That no agent paid from this appropriation shall receive compensation at a rate higher than that now received by traveling agents on accounts in the Internal Revenue Service, and no inspector shall receive a compensation higher than \$5 a day and \$3 additional in lieu of subsistence, and no deputy collector, clerk, messenger, or other employee shall be paid at a rate of compensation higher than the rate now being paid for the same or similar work in the Internal Revenue Service.

In the office of the Commissioner of Internal Revenue at Washington, District of Columbia, there shall be appointed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, one additional deputy commissioner, at a salary of \$4,000 per annum; two heads of divisions, whose compensation shall not exceed \$2,500 per annum; and such other clerks, messengers, and employees, and to rent such quarters and to purchase such supplies as may be necessary: *Provided*, That for a period of two years from and after the passage of this Act the force of agents, deputy collectors, inspectors, and other employees not including the clerical force below the grade of chief of division employed in the Bureau of Internal Revenue in the city of Washington, District of Columbia, authorized by this section of this Act shall be appointed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, under such rules and regulations as may be fixed by the Secretary of the Treasury to insure faithful and competent service, and with such compensation as the Commissioner of Internal Revenue may fix, with the approval of the Secretary of the Treasury, within the limitations herein prescribed: *Provided further*, That the force authorized to carry out the provisions of Section II of this Act, when not employed as herein provided, shall be employed on general internal-revenue work,

Comr. of Int. Rev. may appoint necessary officers, agents, inspectors, etc., rent quarters, purchase supplies; limitations as to salaries.

Appointment of additional Deputy Comr. of Int. Rev. and two heads of divisions, compensation of, and other employees. Provisions for quarters and supplies.

For two years after passage of Act, Comr. of Int. Rev. with approval of Secretary of the Treasury to appoint agents, deputy collectors, inspectors and other employees authorized by the act, *proviso*.

To fix compensation and prescribe duties.

ALL EXCISE TAXES UNDER CORPORATION TAX LAW OF AUGUST 5, 1909, FOR YEAR ENDING DECEMBER 31, 1912, TO BE COLLECTED. A SPECIAL EXCISE TAX OF ONE PER CENT LEVIED UPON NET INCOME OF CORPORATIONS, ETC., FOR PERIOD FROM JANUARY 1, 1913, TO FEBRUARY 28, 1913. COMPUTED UPON BASIS OF ONE-SIXTH OF INCOME FOR ENTIRE YEAR. METHOD OF COMPUTING NET INCOME. PROVISIONS OF CORPORATION TAX LAW TO REMAIN IN FORCE FOR PURPOSE OF COLLECTION OF TAXES DUE THEREUNDER. ONLY ONE RETURN NECESSARY. EFFECT OF REPEAL OR MODIFICATION OF EXISTING LAWS. ACTS OF LIMITATION NOT AFFECTED.

SECTION IV.

Excise taxes imposed upon corporations to be collected for year ending December 31, 1912.

Special excise tax of 1% of income to corporations, etc., from Jan. 1, 1913, to Feb. 28, 1913, incl. To be computed on one-sixth of income for entire year. To be ascertained in manner required in subsection G.

Provisions of corporation tax law relative to collections to remain in force.

Only one return necessary.

S. * * * *Provided further*, That all excise taxes upon corporations imposed by section thirty-eight, that have accrued or have been imposed for the year ending December thirty-first, nineteen hundred and twelve, shall be returned, assessed, and collected in the same manner, and under the same provisions, liens, and penalties as if section thirty-eight continued in full force and effect: *And provided further*, That a special excise tax with respect to the carrying on or doing of business equivalent to 1 per centum upon their entire net income, shall be levied, assessed, and collected upon corporations, joint-stock companies or associations, and insurance companies, of the character described in section thirty-eight of the Act of August fifth, nineteen hundred and nine, for the period from January first to February twenty-eighth, nineteen hundred and thirteen, both dates inclusive, which said tax shall be computed upon one-sixth of the entire net income of said corporations, joint-stock companies or associations, and insurance companies, for said year, said net income to be ascertained in accordance with the provisions of subsection G of section two of this Act: *Provided further*, That the provisions of said section thirty-eight of the Act of August fifth, nineteen hundred and nine, relative to the collection of the tax therein imposed shall remain in force for the collection of the excise tax herein provided, but for the year nineteen hundred and thirteen it shall not be necessary to make more than one return and assessment for all the taxes imposed herein upon said corporations, joint-stock companies or associations, and insurance companies, either by way of income or excise, which return and assessment shall be made at the times and in the manner provided in this Act; but the repeal of existing laws or modifications thereof embraced

in this Act shall not affect any act done, or any right accruing or accrued, or any suit or proceeding had or commenced in any civil case before the said repeal or modification; but all rights and liabilities under said laws shall continue and may be enforced in the same manner as if said repeal or modifications had not been made. Any offenses committed and all penalties or forfeitures or liabilities incurred prior to the passage of this Act under any statute embraced in or changed, modified, or repealed by this Act may be prosecuted or punished in the same manner and with the same effect as if this Act had not been passed. No Acts of limitation now in force, whether applicable to civil causes and proceedings or to the prosecution of offenses or for the recovery of penalties or forfeitures embraced in or modified, changed, or repealed by this Act shall be affected thereby so far as they affect any suits, proceedings, or prosecutions, whether civil or criminal, for causes arising or acts done or committed prior to the passage of this Act, which may be commenced and prosecuted within the same time and with the same effect as if this Act had not been passed.

Accrued rights and liabilities under existing laws not affected.

Offenses, penalties and forfeitures committed or incurred prior to passage of act may be prosecuted and punished, same as though act had not been passed.

Acts of limitation whether civil or criminal in force at time of passage of act not affected thereby.

WHEN ACT SHALL TAKE EFFECT.

U. That unless otherwise herein specially provided, this Act shall take effect on the day after its passage.

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	G (d)	21

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